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Hollis, Henry French

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[Chicago]

[1918?]

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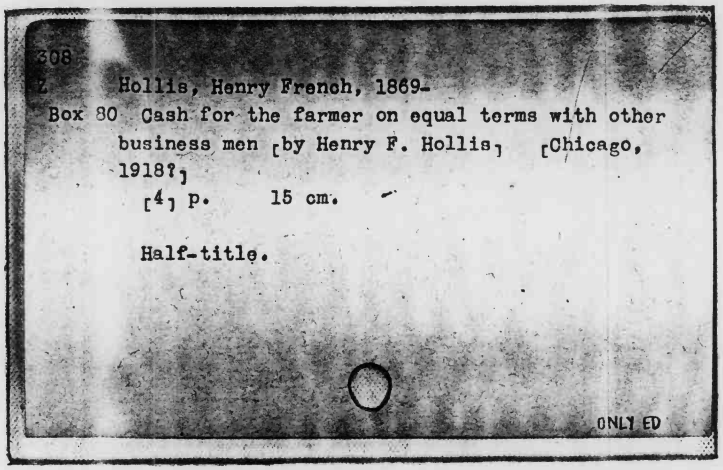
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Cash for the Farmer

On Equal Terms

With Other Business Men

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CASH FOR THE FARMER

By

HENRY F. HOLLIS

United States Senator from New Hampshire, and author of Rural Credits Law.

John Brown lives on a farm in the Middle West. The soil is heavy and black, but it has been exhausted by a process of cropping which is more like mining than farming. Everything has been taken from it. Nothing has been restored. That is why the owner, grown rich from soil exhaustion, has sold out and moved to town.

The bare purchase of the farm has taken nearly all of Brown's savings. The buildings leak; fences are down; machinery is lacking; some of the land needs draining; the rest needs fertilizer.

Brown's neighbor is prosperous. He has treated his land like a farm, not like a mine. He has used good seed, bought good stock, laid drain pipes, and purchased commercial fertilizer by the ton. At the end of the year his barns are full and his crops are safe from the weather, while Brown's crops are meager, and further reduced by frequent wettings.

It is plain that Brown needs cash capital, but he has been brought up to save, not to borrow. He looks upon a mortgage as a disgrace. The only time he borrowed, he was unable to pay at maturity. He was charged a commission and an extortionate rate of interest for a renewal. That loan was a burden for years, and always a nightmare.

Then Brown's Cousin Joe comes to visit. Joe is a storekeeper in an eastern city, doing business largely on borrowed capital. He tells John that every prosperous merchant and manufacturer borrows money. He asks John what he supposes banks are for if it is a disgrace to borrow.

Brown is half convinced. He gathers courage one day to go into the nearest bank. He feels shabby and out of place in the midst of so much marble and brass and mahogany. His courage oozes, his voice shakes, he is clearly over-awed, and the bank official decides that he is a cheap fellow.

Brown is glad to escape with his hat. He scarcely recalls why his loan is refused, but there was talk of dear money, and the risk of tying demand deposits up in long term loans. The real reason is that the banker doesn't know Brown or his farm.

And then Brown's friend Robinson turns up one day, fresh from attendance on a hearing by the Federal Farm Loan Board, recently appointed by President Wilson under the Rural Credits bill. The Board is touring the country to ascertain the farm loan needs of the various districts. Brown's interest is aroused. Here is help to which he is **entitled** as a farmer and an American. He writes to the Federal Farm Loan Board at Washington, and this is what he learns:

The United States will shortly be divided into twelve Land Bank districts, each containing a Federal land bank. One of these will be established in a city not far from Brown, for the sole object of loaning money to farmers for productive purposes on the security of their farms. The farmer will borrow, not as a **favor,** but as a **right.**

Every borrower will take 5% of his loan in stock, and thereby become a partner in the enterprise. He will get his money at cost. Any profit will be returned to him in dividends. The interest rate cannot exceed 6%. The law fixes that. But the rate may be as much lower as cheap money and good management will warrant.

Brown learns that the land bank **will not deal** directly with him, but through a national farm loan association composed of ten farmers who wish to borrow. So he puts in a few evenings visiting his neighbors. He finds nine of them who need cash capital. He invites them to a meeting in his kitchen.

Brown and his friends organize a farm loan association. From the Farm Loan Board they receive circulars and blanks. The benefits are so great and the plan so simple that they would be suspicious if the papers had come from Wall Street rather than from the Government.

They elect officers, fill out the blanks, sign their names, giving the amount of money required by each, and send their application to the land bank of their district. The land bank sends an agent to investigate. He makes a favorable report and they receive a charter covering their county. Brown is made the Secretary-Treasurer.

Brown receives with the charter blanks for mortgages and appraisals. The loan committee of his association fills out an appraisal for each loan. Brown forwards these to the land bank. The land bank appraiser examines each farm and recommends the loan. The mortgage papers are then executed and forwarded to the land bank.

The money is sent back to Brown for distribution among the borrowers. Thereafter he collects and forwards to the land bank installment payments on each loan as they become due. For this service he receives a small fee.

Brown's loan **may run for any period from 5 to 40 years.** With each payment of interest a certain fixed percentage of the principal is paid. If the interest rate is 5%, and he pays in 1% yearly on the principal, the whole debt will be paid out in 36 years, and this clearing of the mortgage will result from a total payment each year of 6% of the original loan, covering interest, expenses and installments on principal.

Five per cent of Brown's loan comes to him in stock of his association. If the enterprise makes earnings, Brown will get his share in dividends on his stock. When his loan is paid in full, he receives 100% on his stock in cash. It is a co-operative system.

We have projected Brown's experience a few months into the future, but the plan is accurately outlined. Brown looks forward to January 1st with confidence and entire self-respect. He will receive on his mortgage 50% of the value of his land plus 20% of the value of his buildings. He will make repairs, lay drains, and buy live stock, machinery and fertilizer.

He will pay 1% a year on the principal. He may pay as much faster as he pleases after 5 years and thereby reduce his interest payments in proportion.

Banks will see Brown no more, hat in hand, lips aquiver, courage oozing. Brown and his associates have a charter which makes available for them and their neighbors long term money on easy payments and at the lowest rates. This money is theirs to borrow as a right, and they and other borrowing farmers control the whole system. It is co-operative. They own the shares. They receive the profits.

And all this has been made available to the American farmer through the Federal Farm Loan Act, signd by President Wilson July 17th last, known as the Rural Credits bill.

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